

AMENDED IN ASSEMBLY APRIL 20, 2010

AMENDED IN ASSEMBLY MARCH 25, 2010

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

## ASSEMBLY BILL

**No. 2564**

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**Introduced by Assembly Member Swanson**

February 19, 2010

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~~An act to amend Section 13337 of the Government Code, relating to the state budget. An act to amend Section 13305 of the Government Code, relating to state finance.~~

### LEGISLATIVE COUNSEL'S DIGEST

AB 2564, as amended, Swanson. State budget: tax expenditures.

*Existing law requires the Department of Finance to provide an annual report to the Legislature on tax expenditures, as specified, no later than September 15 of each year.*

*This bill would require the Department of Finance to provide the report described above on February 1 of each year and to provide the report directly to a Member of the Legislature upon request.*

~~Under existing law, various duties and responsibilities are imposed upon the Governor and the Department of Finance in connection with the preparation and submission of the annual State Budget to the Legislature at each regular session thereof.~~

~~This bill would require the budget to include a section that has specified information relating to tax expenditures, as defined, including, among other things, a comprehensive list of tax expenditures exceeding \$5,000,000 in annual cost and an estimate or range of estimates for the state and local revenue loss that results from tax expenditures.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1     SECTION 1. Section 13305 of the Government Code is  
2     amended to read:
- 3     13305. (a) The department shall provide an annual report to  
4     the Legislature on tax expenditures by no later than ~~September 15~~  
5     February 1 of each year. The report shall include each of the  
6     following:
- 7         (1) A comprehensive list of tax expenditures exceeding five  
8         million dollars (\$5,000,000) in annual cost.
- 9         (2) The statutory authority for each credit, deduction, exclusion,  
10        exemption, or any other tax benefit as provided by state law.
- 11        (3) A description of the legislative intent for each tax  
12        expenditure, if the act adding or amending the expenditure contains  
13        legislative findings and declarations of that intent, or that legislative  
14        intent is otherwise expressed or specified by that act.
- 15        (4) The sunset date of each credit, deduction, exclusion,  
16        exemption, or any other tax benefit as provided by state law, if  
17        applicable.
- 18        (5) A brief description of the beneficiaries of the credit,  
19        deduction, exclusion, exemption, or other tax benefit as provided  
20        by state law.
- 21        (6) An estimate or range of estimates for the state and local  
22        revenue loss for the current fiscal year and the two subsequent  
23        fiscal years. For sales and use tax expenditures, this would include  
24        partial year exemptions and all other tax expenditures when the  
25        State Board of Equalization has obtained that information.
- 26        (7) For personal income tax expenditures, the number of  
27        taxpayers affected and returns filed, as applicable, for the most  
28        recent tax year for which full year data is available.
- 29        (8) For corporation tax and sales and use tax expenditures, the  
30        number of returns filed or business entities affected, as applicable,  
31        for the most recent tax year for which full year data is available.
- 32        (9) A listing of any comparable federal tax benefit, if any.
- 33        (10) A description of any tax expenditure evaluation or  
34        compilation of information completed by any state agency since  
35        the last report made under this section.

1 (b) For purposes of this section, “tax expenditure” means a  
2 credit, deduction, exclusion, exemption, or any other tax benefit  
3 as provided for by the state.

4 ~~(e) This section shall become operative on January 1, 2007.~~

5 ~~(c) In addition to the provision of the report required by~~  
6 ~~subdivision (a), the report shall be provided directly to a Member~~  
7 ~~of the Legislature upon request.~~

8 ~~SECTION 1. Section 13337 of the Government Code is~~  
9 ~~amended to read:~~

10 ~~13337. (a) The budget required by the State Constitution to~~  
11 ~~be submitted by the Governor at each regular session of the~~  
12 ~~Legislature shall be submitted within the first 10 days thereof and~~  
13 ~~shall contain a complete plan and itemized statement of all~~  
14 ~~proposed expenditures of the state provided by existing law or~~  
15 ~~recommended by him or her, and all of its institutions, departments,~~  
16 ~~boards, bureaus, commissions, officers, employees, and other~~  
17 ~~agencies, and of all estimated revenues, for the ensuing fiscal year,~~  
18 ~~together with a comparison, as to each item of revenues and~~  
19 ~~expenditures, with the actual revenues and expenditures for the~~  
20 ~~last completed fiscal year, the estimated revenues, and expenditures~~  
21 ~~for the existing fiscal year and the budgeted revenue and~~  
22 ~~expenditures for the next fiscal year.~~

23 ~~(b) (1) The budget shall, in accordance with Chapter 2~~  
24 ~~(commencing with Section 41200) of Part 24 of the Education~~  
25 ~~Code, include a section that specifies the percentages and amounts~~  
26 ~~of General Fund revenues that must be set aside and applied for~~  
27 ~~the support of school districts, as defined in Section 41302.5, and~~  
28 ~~community college districts, as required by subdivision (b) of~~  
29 ~~Section 8 of Article XVI of the California Constitution.~~

30 ~~(2) (A) The budget shall include a section that specifies all of~~  
31 ~~the following:~~

32 ~~(i) A comprehensive list of tax expenditures exceeding five~~  
33 ~~million dollars (\$5,000,000) in annual cost.~~

34 ~~(ii) An estimate or range of estimates for the state and local~~  
35 ~~revenue loss for the current fiscal year and the two subsequent~~  
36 ~~fiscal years. For sales and use tax expenditures, this would include~~  
37 ~~partial year exemptions and all other tax expenditures when the~~  
38 ~~State Board of Equalization has obtained that information.~~

1     ~~(iii) For personal income tax expenditures, the number of~~  
2     ~~taxpayers affected and returns filed, as applicable, for the most~~  
3     ~~recent tax year for which full year data is available.~~

4     ~~(iv) For corporation tax and sales and use tax expenditures, the~~  
5     ~~number of returns filed or business entities affected, as applicable,~~  
6     ~~for the most recent tax year for which full year data is available.~~

7     ~~(B) For purposes of this paragraph, “tax expenditure” shall have~~  
8     ~~the same meaning as in Section 13305.~~

9     ~~(e) The Governor, or the Department of Finance acting on his~~  
10    ~~or her behalf, shall make appropriate changes in the budget request~~  
11    ~~to reflect any modification in the organization or functions of state~~  
12    ~~government proposed under Article 7.5 (commencing with Section~~  
13    ~~12080) of Chapter 1 prior to the passage of the budget.~~

14    ~~(d) The Governor’s Budget shall be prepared in accordance with~~  
15    ~~guidelines and instructions adopted by the Department of Finance.~~

16    ~~(e) In order to provide meaningful comparisons, the Governor’s~~  
17    ~~Budget shall be prepared in such a manner that the information~~  
18    ~~presented provides for such comparisons between the fiscal years.~~

19    ~~(f) The Department of Finance shall submit to the committee~~  
20    ~~in each house which considers appropriations and to the Joint~~  
21    ~~Legislative Budget Committee copies of budget material submitted~~  
22    ~~to it by agencies pursuant to the provisions of Article 2~~  
23    ~~(commencing with Section 13320).~~

24    ~~(g) The Governor’s Budget shall also include a coding structure~~  
25    ~~which indicates for each budget entity the categorization of~~  
26    ~~expenditures and revenues.~~

27    ~~(h) Prior to the submission of the Governor’s Budget to the~~  
28    ~~Legislature, the Department of Finance may conduct public~~  
29    ~~hearings regarding any portion of any budget.~~

30    ~~(i) The Governor, or the Department of Finance acting on his~~  
31    ~~or her behalf, shall, at the same time the Governor’s Budget is~~  
32    ~~submitted to the Legislature, submit to the Legislature copies of~~  
33    ~~the material for the purposes of subdivision (j).~~

34    ~~(j) The Department of Finance shall develop a fiscal information~~  
35    ~~system which will provide timely and uniform fiscal data needed~~  
36    ~~to formulate and monitor the budget, including, but not limited to,~~  
37    ~~online inquiry capacity and the ability to simulate budget~~  
38    ~~expenditures and forecast revenues. This system may include,~~  
39    ~~among other things, data on encumbrances and expenditures by~~  
40    ~~line item, governmental unit, and fund source. The system shall~~

1 also include expenditures and encumbrances by program, as  
2 required. This system shall also include a coding structure which  
3 indicates the categorization of expenditures and revenues. This  
4 system and the data shall be available to both the legislative and  
5 executive branches. The system may contain separate programs  
6 accessible by only one branch, designed to provide for distinct  
7 application of the data, but the basic system data shall be available  
8 on an equal basis to both the legislative and executive branches of  
9 government.

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